



CITY OF HARTFORD

Proposed Parking Concession:
facilitating and empowering

Sustainable Development and Growth

Presentation at

Hartford Public Library

16 November 2010



PROPOSED PARKING CONCESSION

AGENDA

THE DEVELOPMENT CONTEXT

One City, One Plan

PARKING CONCESSION: AN OPTION

A POLICY-DRIVEN DEAL

Protecting the Public Good

TARGETED RESULTS

Stabilizing a Revenue Stream

Liberating Capital for Transformative Opportunity



A POLICY-DRIVEN DEAL

Stakeholder Briefings

- May 6 - Hartford Parking Authority Board Meeting
- June 11 - MetroHartford Alliance, BID, and Business for Downtown Htfd.
- August 9 - Public Meeting: South Church
- November 16 - MetroHartford Alliance, BID, and Business for Downtown Htfd.
 - Public Meeting: Hartford Public Library
- November 18 - Hartford Parking Authority Board Briefing



PROPOSED PARKING CONCESSION

The Development Context

GOAL: Integrating with the Big Picture



CHOICES THAT AFFECT THE BUILT ENVIRONMENT

Principles Driving *One City, One Plan*

Public Recommendations in the top-20:

- Decrease dependence on the automobile
- Improve downtown connectivity
- Fill surface parking gaps in the downtown

MetroHartford Alliance's top priorities include:

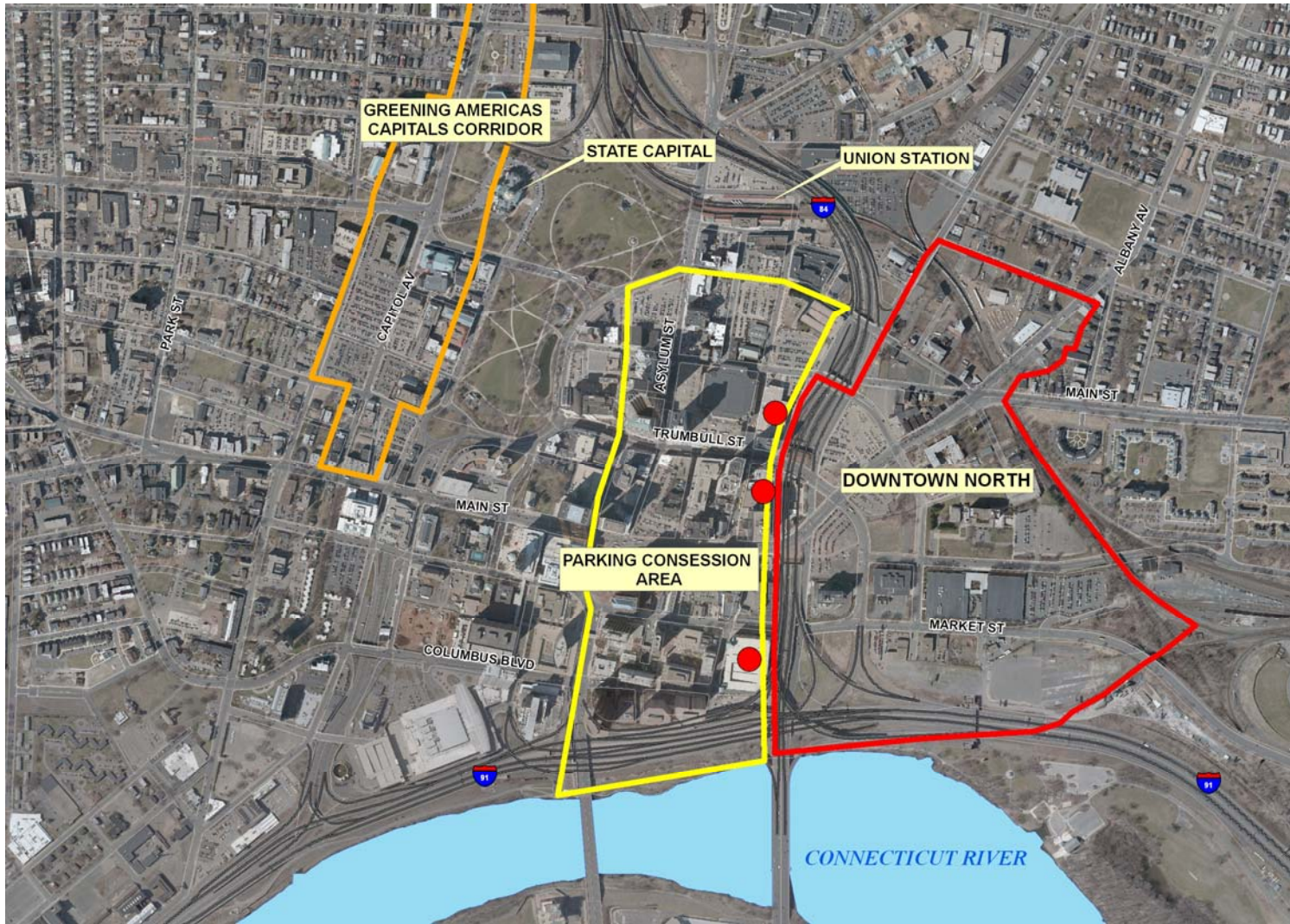
- Create a comprehensive parking strategy
- Improve downtown pedestrian environment
- Development of vacant lots
- 4,500 Additional downtown housing units

One City, One Plan Plan calls for:

- Rationalizing of parking
- Elimination of surface parking lots for development
- Addressing alternatives to free suburban parking



DEVELOPMENT CONTEXT



Development Context

Parking Concession Option

Policy-Driven Deal

Targeted Results



DEVELOPMENT CONTEXT

One City, One Plan Projects

North Downtown (north of I-84) Planning/Development Initiative (excluded area):

- Demolition of HB Davis Building
- Public Safety Complex (as anchor)
- Sustainable Communities Planning Grant

Union Station Planning/Development Initiative (excluded area):

- Transit Oriented Development
- High Speed Rail: Boston – Washington
- New Haven – Hartford – Springfield Commuter Rail
- I-84 Viaduct Reconstruction
- Acquisition of 1-7 Myrtle Street (Capitol West)

Zoning and Traffic Revisions (included):

- To promote walkability and reduce auto dependence

Create opportunity for large-scale investment



PROPOSED PARKING CONCESSION

Parking Concession: An Option

The Basics of What and Why



PARKING CONCESSION: AN OPTION

What is a Parking Concession?

- City puts operation of parking facilities & on-street parking out to bid
- Concessionaire operates parking facilities & on-street parking for a given term
- Concessionaire makes an up-front payment to the city, in exchange for future revenues from parking operation
- At the end of the term, operation reverts to the City and facilities are returned in pristine condition
- Transfers garage replacement costs to the Concessionaire



PARKING CONCESSION: AN OPTION

Downtown Public Parking – Multiple Players

	# OF SPACES	% OF TOTAL
Privately Owned Facilities	15,692	64%
CCEDA Facilities	3,671	15%
State of CT Public Works	453	2%
HPA Facilities	4,767	19%
(1,732 – on Street)		
<hr/>		
TOTAL	24,583	100%

Development Context

Parking Concession Option

Policy-Driven Deal

Targeted Results



PARKING CONCESSION: AN OPTION

Current HPA Arrangement – managing a half-privatized system

Morgan Street Garage

- Central Parking – operations management
- Wescor – revenue security systems management
- Hartford Guides – security

Church Street Garage

- Central Parking – operations management
- Wescor – revenue security systems management
- Hartford Guides – security

MAT Garage

- CT Parking Services – operations management
- Wescor – revenue security systems management
- Hartford Guides – security

On-Street Parking & Library Parking Deck

- Central Parking – on-street enforcement & collection
- Hartford Guides – security for library parking deck



PARKING CONCESSION: AN OPTION

Strong Set of Four Qualified Bidding Teams

- Bainbridge ZKS/Denison Parking
- P4 Partners/LAZ Parking
- Prospect Capital/ACS/ProPark
- Platinum Equity/Central Parking



HARTFORD'S DIFFERENT APPROACH

The Deals

Chicago Garages

- 99-Year Term
- No limit on parking rates
- Use of Funds – retire debt, long-term reserve, long-term capital improvements

Chicago Meter System

- 75-Year Term
- Rate Increases – Y1: 17% to 300%, Y5: 100%, Thereafter: inflation adjusted
- Use of Funds – long-term reserves, budget stabilization

Indianapolis Meters

- 50-Year Term
- Rates double after first year
- Funds used for street improvements
- No reserve held

Also Contemplated

Harrisburg

Las Vegas

Miami

Pittsburgh

New Haven

New Jersey Transit

Los Angeles

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HARTFORD'S PRUDENT APPROACH

Lessons Learned from Recent Deals

Pittsburgh: Extra Proceeds = Extra Responsibility

Gov. Rendell: Should be a "strict prohibition" on mingling proceeds with general funds

Pittsburgh: Alignment is Key

Align a long-term asset with a long-term liability

Pittsburgh: Always have a BAFO

Best-and-Final-Offer from top 2 bidders can greatly increase proceeds

Chicago: Have a Smooth Transition

Avoid instant and dramatic rate increases

Install modern technology

Chicago/Pittsburgh/Indianapolis: Keep increases modest

Transparency of #'s is important

Indianapolis: Engagement of Decision-makers

Provide reliable assurance of executive & legislative support



FINANCIAL STATUS

HPA operations have returned between \$670,000 and \$3.9 million to the City over the past 8 years

FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10 (unaudited)	FY10-11 Budgeted
1,081,195	948,414	3,492,863	3,577,180	3,962,300	2,550,049	1,354,485	656,491

Currently, capital expenditures are borne by the HPA

Cost	Project
\$22MM	Replacement of Church Street Garage
\$5-10MM	Various Capital Improvements within 10 years Lighting, Concrete Repair, Revenue Control Systems, Cameras
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.	.
\$100MM	Projected total over life of the Concession



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The bid price can be equated to annual income, as follows

Bid Price	Annual Income	<u>Assumptions:</u>
\$30MM	\$0	<i>8% Investment Return</i>
\$45MM	\$850,000	<i>3% Increase in Annual Income</i>
\$80MM	\$2,800,000	<i>Pay off \$30MM in Bonds</i>
\$100MM	\$3,900,000	<i>Concessionaire funds \$100MM</i>
\$120MM	\$5,000,000	<i>of Capital Improvements</i>
\$150MM	\$6,800,000	

Development Context

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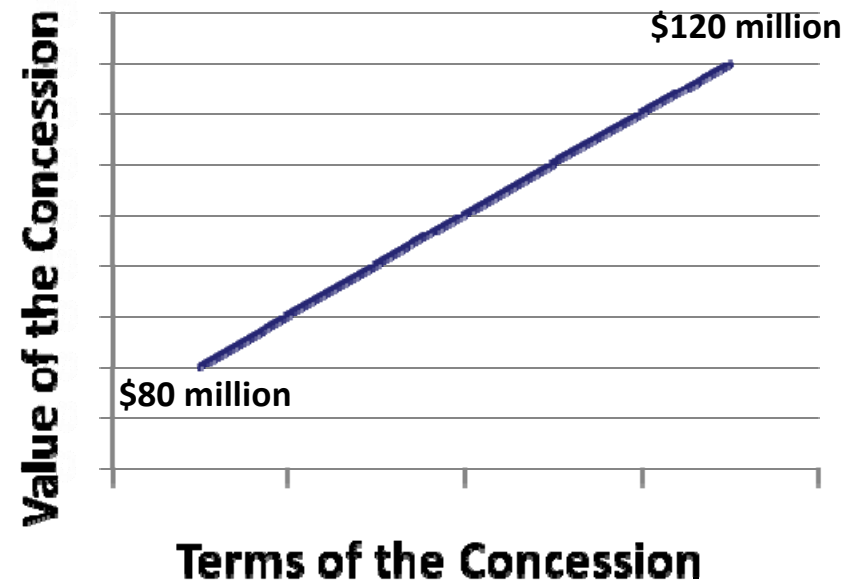


HARTFORD'S PRUDENT APPROACH

Value of the Concession Depends on its Terms

Terms of the Concession subject to negotiation

- ✓ Rates & length of stay restrictions
- ✓ Hours of operations
- ✓ Restrictions on competition
- ✓ Rigorous operating standards
- ✓ Strong oversight by HPA
- ✓ Business and financial risks will be borne by concessionaire
 - ✓ Revenue/utilization
 - ✓ Operation and maintenance
 - ✓ Capital improvement / technology upgrades



Development Context

Parking Concession Option

Policy-Driven Deal

Targeted Results



PROPOSED PARKING CONCESSION

A Policy-Driven Deal

*GOAL: Safe-Guarding the Public Interest
While Liberating Capital For Future Success*



A POLICY-DRIVEN DEAL

Concerns from *Business for Downtown Hartford*

- New Board Members & CEO are unable to give proper feedback on consequences.
 - Proceeds will be whittled away on pet projects and no game-changer will occur
 - What are preliminary options for a game changer?
 - Brunt of any negative consequences will be borne primarily by small businesses in CBD.
 - To be revenue neutral, agreement must account for lost revenue, not just remaining bond payments .
- CEO is a seasoned development official and has been engaged since beginning of process and fully engaged since becoming CEO.
 - Proceeds will be put into trust, with an independent mechanism in place to assess use of funds.
 - Have presented a list of possibilities; decision will require a thorough civic engagement.
 - Current system has not led to widespread prosperity, and concession aims to improve business climate.
 - Budgeted revenue for HPA in FY 10-11 (after bond payments) is <\$700,000. Peak revenue year (FY 07-08) was \$3.9MM. Concession would stabilize revenue and can perform better.



A POLICY-DRIVEN DEAL

Concerns from *Business for Downtown Hartford*

- Concessionaire will benefit by raising on-street rates, not by improving efficiency.
 - Poor parking perception is a product of private operators, not city lots.
 - Private operators have too much control over pricing already. Concession will weaken HPA's ability to influence rates.
 - Aggressive ticketing is a currently a big problem and will continue to be one.
- Our approach includes rate schedule with modest increases over time.
 - HPA expanded oversight of private lots will ensure a positive experience throughout downtown.
 - Our approach includes a strict rate schedule for on-street meters and limits on off-street rates to protect the public good.
 - Our approach enforces existing regulations, provides a grace period, and encourages turnover of spaces to promote retail



A POLICY-DRIVEN DEAL

Concerns from *Business for Downtown Hartford*

- Adding a vendor will lead to less pricing innovation and ultimately higher prices. Can flexibility for incentive programs be built in?
 - HPA should have enhanced authority, i.e. setting rates without Council Approval to recruit monthly and on-street parkers. Concession will decrease HPA authority.
 - HPA should be responsible for regulation and enforcement of private parking operations, which is now in L&I.
 - Parking and Parking deals cut by city officials have played a role in several city corruption cases
- Our approach allows Concessionaire to work with HPA to have the flexibility for incentive programs within guidelines and regulations.
 - Our approach limits rate increases, but gives Concessionaire freedom to keep rates low to recruit parkers, operating with approval and oversight of HPA.
 - This transaction contemplates moving these responsibilities to HPA, as it will no longer be perceived as a conflict of interest by competitors.
 - This is a transparent process, but more importantly, will result in a parking system even more insulated from such problems.



A POLICY-DRIVEN DEAL

Deal Point Principles

System Management

Remains with HPA

The HPA will continue in its current role of managing the Parking system and the private operator of the facilities

Facility Management

Concessionaire is Responsible

A private sector operator will continue to operate the Parking System Facilities

Public Access

Will be maintained

All Parking System Facilities will continue to be operated as public parking facilities and will be available to the public

Parking System Facilities

Comprising the Concession

Church Street Garage, MAT Garage, Morgan Street Garage, Metered Parking System (including metered spaces in Library Garage)

Up-Front Payment

Paid to City

The City will receive an up-front payment from the Concessionaire

Annual Profit

Retained by Concessionaire

Annual operating profit, if any, will be retained by the Concessionaire

On-Street Meters

Support Business Development

Maintain high turnover rate without sudden rate increases



A POLICY-DRIVEN DEAL

Deal Point Principles

Up-Front Payment

The City will receive an up-front payment from the Concessionaire

Annual Profit

Annual operating profit, if any, will be retained by the Concessionaire

Facility Replacement Costs

All construction and maintenance costs will be paid for by the Concessionaire

Contract Term

50 years

City Remedies

There are numerous protections and remedies, including taking back the Parking System, if the concessionaire fails to perform as required



A POLICY-DRIVEN DEAL

Summary of Terms (Garages)

Garage Monthly Rates

- Market Rates

Garage Daily Rates

- Maximum Rate: 90% of market rate
- Survey to determine market every 5 years
- One special survey allowed every 5 years
- Annual increases based on inflation

Garage Special Event Fees

- Maximum Rate: \$15.00
- Incremental increases based on inflation



A POLICY-DRIVEN DEAL

Summary of Terms (On-Street Meters)

Meter Rates

- No change for six months
- \$1.50 after six months (rates can only increase on cashless meters)
- \$2.00 at start of year-5
- \$2.00 + inflation at start of year-6

Meter Hours of Operation

- Expand evening hours from 6:00pm to 9:00pm; no duration of stay limit in areas of highest demand and need for turnover
- Expand days of operations to Saturday with no duration of stay limit

Parking Citations

- Returns meter violation to same rate as other street violations
- Promotes compliance by maintaining a ratio to the max hourly rate

Meter Rates

- Compare well to similar cities
 - Boston \$1.25
 - New Haven \$1.50
 - Philadelphia \$2.00
 - West Hartford \$1.00
 - Baltimore \$2.00



A POLICY-DRIVEN DEAL

True-Up Mechanism – Allowing for Future Flexibility

The up-front payment the City receives is a pre-payment of revenue produced by an agreed up on inventory of parking spaces with specific characteristics during the life of the contract

The City retains the right to change both the inventory of parking spaces and the characteristics of those spaces during the life of the contract

- Examples include removing or adding spaces, rates, hours of operation and duration of stay

The True-up mechanism allows the City to calculate

- The relative impact on the entire system of changes its makes, and
- The appropriate amount of compensation necessary to make the Concessionaire whole



A POLICY-DRIVEN DEAL

True-Up Mechanism – Allowing for Future Flexibility

The financial impact to the City will not differ substantially from the impact if the City were to exercise those same powers today

- Example: City removes a space that produces \$1,000 per year
- Pre-transaction cost to the City: \$1,000 in lost revenue
- Transaction cost to the City: \$1,000 in compensation to Concessionaire
- True-up determined on quarterly basis, calculated on monthly basis

The City is **NOT** making a revenue guarantee to the Concessionaire

- Concessionaire bears the risk of System performance
- The City's payment is based on the portion of the System that is missing

The City can avoid making cash payments for reducing the value of the System in several ways

- Increase the value of existing spaces by increasing rates, hours of operation, etc
- Maintain an inventory of "reserve spaces" that can be substituted for spaces that are removed
- Maintain a cash reserve, funded from up-front proceeds or ongoing parking revenue



USE OF THE UP-FRONT CONCESSION PAYMENT

An Irrevocable Trust – via ordinance adopted by Common Council

Trust Corpus

- Net proceeds of sale of the Parking Concession, minus Morgan St. bond payments
- Any additional payments due to the City under Concession Agreement
- Investment earnings from trust corpus

Investment of Trust Corpus

- Restrictions on investment vehicles for the funds
- Open procedure for review and approval of investments
- Annual reporting of the results of the operation of the Trust

Trust Fund Interest Expenditures - Certification by Mayor/Finance/Corp. Counsel

- Required payments to Concessionaire under Concession Agreement
- Out of pocket costs associated with determination of payments
- Pension obligations
- Other post-employment benefits

Amendments only after approval by a supermajority of Council and internal approvals by Mayor

Annual Compliance Review by City Treasurer



USE OF THE UP-FRONT CONCESSION PAYMENT

Trust Fund Corpus Expenditure

Transformative Public Project / Game-Changer

- Community needs to be positioned for opportunity
- Availability of resources enhances opportunity

Economic Impact Evaluation – conducted by independent third party

- Establish threshold for property value improvement (20%..?)
- Appraisal of properties in existing conditions
- Appraisal of value impact on adjacent properties

Rigorous Authorization for Expenditure

- ✓ Independent property value impact evaluation by a third party
- ✓ Authorization by Mayor
- ✓ Authorization by Council supermajority



PROPOSED PARKING CONCESSION

Targeted Results

*GOAL: Parking Concession as a Tool
for Accomplishing Community Goals*



TARGETED RESULTS

Process Has Already Produced Results

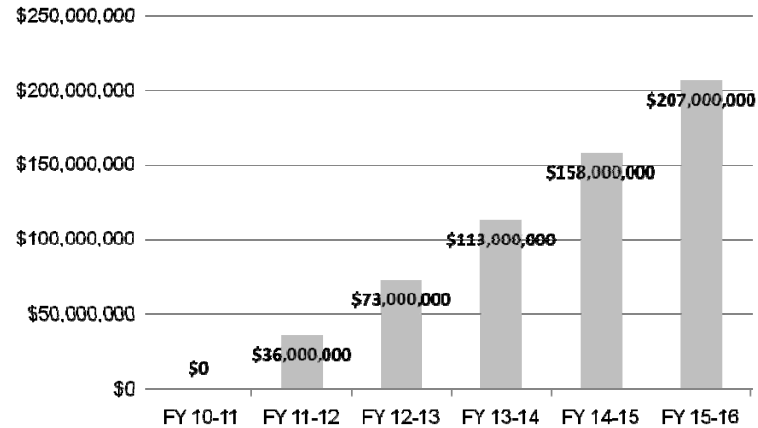
- Created Operating Standards
- Developed inventory of City's on-street Parking
- Identified Conflicting and insufficient on-street signage
- Learned about nationwide best practices in parking



THE RISKS OF DOING NOTHING AT ALL

Downtown Class A Office Vacancy

21%



Downtown Retail Vacancy

41%

Projected Budget Gaps: Looming Challenge

**No Progress:
More of the Same**

**Downtown Rent
Going to Taxes**

20%

**State Budget
Crisis**

**Aging HPA
Structures**



PARKING CONCESSION OPPORTUNITIES

Improved Utilization of Existing Facilities

- Rationalized Parking
 - Short-term parking: on-street and readily available
 - Long-term parking: in conveniently located garages
- Create cost efficiencies by consolidating various management contracts



PARKING CONCESSION OPPORTUNITIES

HPA is better Capable to Comprehensively Serve the City

- **Commercial Lots** – Permitting & Enforcement
 - ✓ Transfer responsibility from L&I to HPA
 - ✓ Regular Permitting
 - ✓ Routine Inspections

- **Valet Parking** – Permitting & Enforcement
 - ✓ Transfer responsibility from DPW to HPA
 - ✓ Regular Permitting
 - ✓ Routine Inspections

- **Neighborhood Initiatives** to Support Commercial Corridors
 - ✓ Explore opportunities to create turnover with metered parking
 - ✓ Establish parking lots in key locations to support local businesses



PARKING CONCESSION OPPORTUNITIES

A Framework for Sustainable Development

- Moratorium on future free-standing parking facilities within Concession area.
- Improved compliance with existing ordinances and standards for surface lots
- Concessionaire has a vested financial interest in downtown development
- **Proceeds from the transaction available to implement a systemic “game-changer” for how Hartford operates**

“The CBD is likely to prove a weak competitor to suburban economic centers when competing on suburban terms.”

Richard Voith, Ph.D. – on abundant low-cost parking

Adjunct Prof. of Real Estate, Wharton School of Business, UPenn

Former Senior Economist, Federal Reserve Bank of Philadelphia



USE OF THE UP-FRONT CONCESSION PAYMENT

Potential Transformative Projects

Decision-making process takes years

Consensus Building Opportunity for the Future

- ✓ Implement Downtown Circulation Study
- ✓ Main Street Makeover: South Green to Keney Square
- ✓ Restoration of Bushnell Park
- ✓ Traffic Signal Synchronization
- ✓ iQuilt Components
- ✓ Union Station Transit Center
- ✓ Streetscapes
- ✓ Arena
- ✓ Streetcar

Development Context

Parking Concession Option

Policy-Driven Deal

Targeted Results



SCHEDULE

- | | |
|-------------------|--------------------------------------------------------------|
| January | - RFI Issued |
| March | - Bidders Qualified |
| March | - RFI Responses Due |
| May | - Bidder Meetings and Tours |
| June – November | - Public/Stakeholder outreach |
| August – October | - Development of Operating Standards |
| November/December | - Transaction Materials Submitted to Common Council & HPA |
| December/January | - Request for bids issued |
| TBD | - Bids due / BAFO round (if any) |
| TBD | - Public Approval Process: City Council Consideration & Vote |

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SUMMARY

- **Integrated into the Broader Development Context**
- **Our Approach is driven by Sound Policy Goals**
 - Protecting the Public Interest
 - Stabilizing a Revenue Stream
 - Liberating capital for Transformative Opportunities
- **A Tool for Action: Parking Concession**
 - Fiscally Prudent
 - Methodical Analysis
 - Best in Class Team
 - Public Input

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SUMMARY

Thank You Very Much

Questions???



Development Context

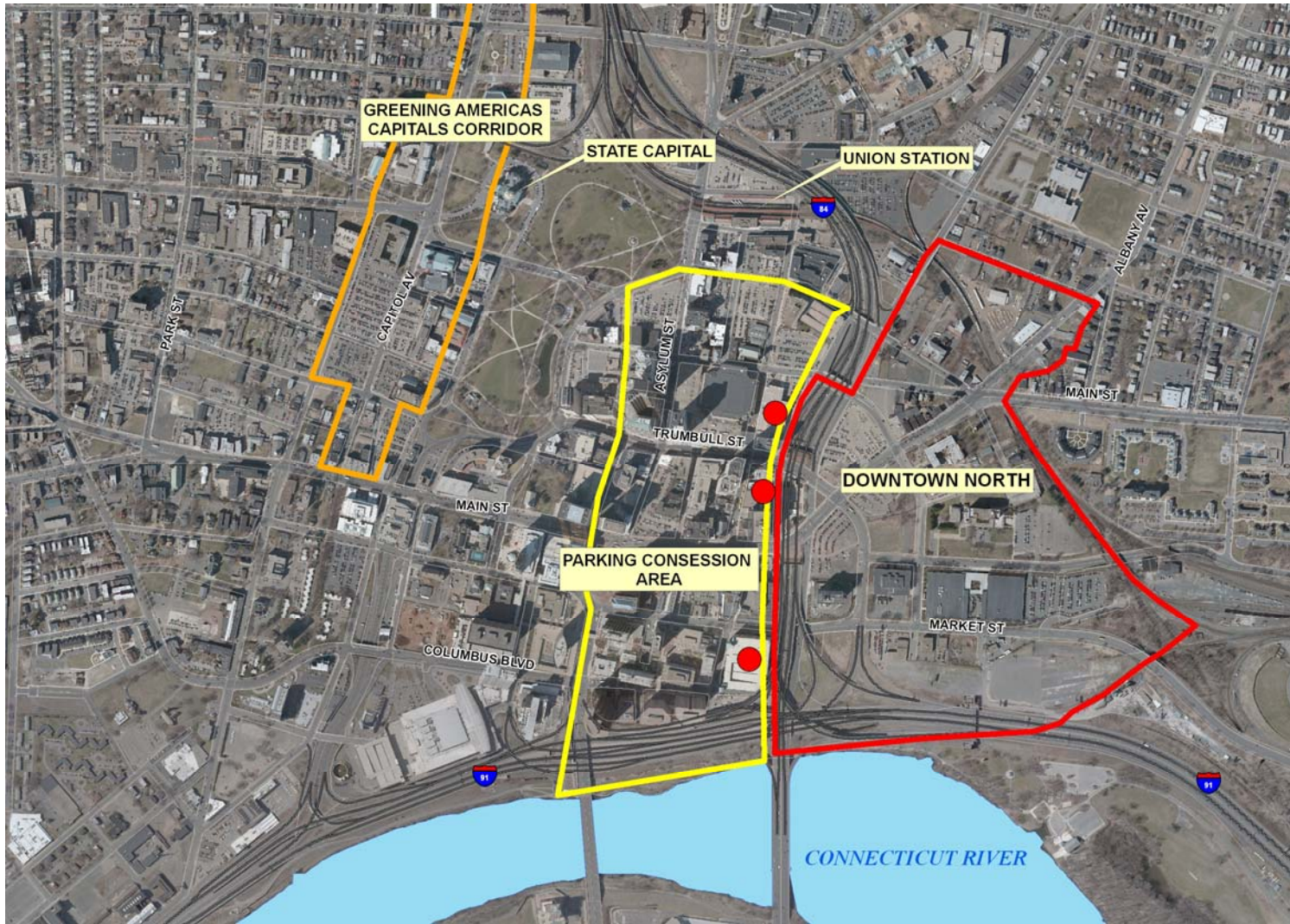
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